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TAGS: [ECON](#) [BEXP](#) [PGOV](#) [JA](#)  
SUBJECT: DEPUTY SECRETARY STEINBERG'S MEETING WITH U.S.  
BUSINESS LEADERS IN JAPAN

Sensitive But Unclassified. Please Handle Appropriately.

11. (SBU) Summary - Meeting June 2 with Deputy Secretary Steinberg, members of the American Chamber of Commerce in Japan (ACCJ) Board of Governors discussed the possible economic policies of a DPJ-led government, Japan's economic situation, including how the current global recession has affected Japanese attitudes towards needed reforms and the U.S. as an economic model, and specific bilateral trade issues, e.g., those connected with Japan Post's privatization and the opportunities in the Internet economy. Looking at issues the ACCJ will raise in their Washington Door Knock starting June 8, the ACCJ leaders listed a push for renewed high level dialogue on economic issues, the role the U.S./Japan economic relations can play in the developing East Asian regional architecture, and the trade and other benefits foreign direct investment in Japan yields for U.S. companies and workers. End Summary.

What would a DPJ Government's Economic Policies be?  
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12. (SBU) Responding to the Deputy Secretary's opening questions about the opposition Democratic Party of Japan's (DPJ) economic policies and how they differ from the current Japanese Government's, members of the ACCJ's Board of Governors stated DPJ figures have begun taking a more "statesman-like" approach in recent meetings. They noted many in the DPJ leadership come from the old socialist party and have strong links to the union movement and the U.S. business leaders expect a DPJ-led government to be more focused on consumer affairs, measures benefiting labor, and strengthening Japan's social safety net. The ACCJ leadership also expects a more pro-environment approach, including a move to cap and trade for dealing with greenhouse gas emissions. They further suggested the DPJ may take stances against the "Anglo-Saxon economic model" and noted the DPJ shadow finance minister's recent comments on possibly developing a common Asian currency along the model of the Euro as a manifestation of this approach. That said, the business people stated the LPD's junior partner in the current ruling coalition, the New Komeito, tends to prefer policies more in line with the DPJ than those traditionally associated with the LDP. Discussing the fourth stimulus package that the Diet just passed, the ACCJ members noted it

contained many proposals originally proposed by the DPJ.

#### Japan's Economic Picture -- An Upbeat Assessment

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13. (SBU) Japan's financial sector is currently strong, NikkoCiti Holdings Japan CEO Doug Peterson said, because it had had little exposure in subprime real estate and because Japanese firms tend to have large cash reserves. Many Japanese companies, for example, in the auto sector, reacted quickly and well to the global economic downturn by choking off parts/input supplies and running through available inventories and then shutting down production facilities until the volumes of products on the market were exhausted. Japanese production activities, including in the auto sector, are now picking back up, although a number of specific sectors, such as electronics and semi-conductors (including their operations in Korea and China), remain weak. Developments in the U.S. economy and, to a growing extent, demand in China -- including for inputs going into products made in China but sold in the U.S. and other third markets -- will be key factors for Japan's economic outlook. Another looming negative factor, Peters on stressed, is the huge government debt, currently about 180 percent of Japanese GDP, an issue neither the LDP nor DPJ looks ready to address.

14. (SBU) On the outlook for needed economic structural changes, the ACCJ leadership cited the continued need for improvements in the tax structure, something that should be easier in today's environment given corporate Japan's need to

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write off massive business losses and consolidate. They also noted the global backlash against financial deregulation is playing out in Japan along with an added factor or backlash against Koizumi-era reforms that had been designed to revitalize Japan's economy and enable it to compete better globally. Despite this backlash, reforms already approved and in train, including in the financial area, are going into effect as scheduled.

#### Bilateral Trade and Other Business Issues Raised

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15. (SBU) Insurance and express mail providers cited continued concerns about how privatization of Japan Post is playing out and its implications for U.S. firms. The old, pre-privatization rules have limited the ability of Japan Post, with USD 3 trillion in book assets - 25 percent of Japan's savings, to expand its activities. Now it is allowed to move into new areas, armed with these tremendous assets and a still privileged position. Both the insurance and express mail reps expressed appreciation for Embassy and other USG actions on their behalf.

16. (SBU) The ACCJ also urged both Tokyo and Washington to approach the economic relationship with creative and bold thinking. Members pointed to a draft Internet White Paper, which calls bilateral dialogue, cooperation, and openness to develop Japan's Internet economy, including in terms of getting regulations right, as an example of efforts that can yield great and on-going benefits, including in terms of jobs and exports, for both sides. The Board of Governors, previewing their message in the Washington Door Knock the week of June 8, also stressed the need for greater U.S. involvement in the economic integration underway in East Asia. They were concerned the United States might be left out or otherwise disadvantaged by some of the trade, investment, and other economic arrangements now under discussion in the region, including between Japan and the ASEANs and other countries, e.g., China. The ACCJ Board argued deeper U.S. engagement in Asia can build off a more robust U.S./Japan economic cooperation relationship, especially during the next two years when Japan and the U.S. host APEC. The ACCJ also called for a formal high level

dialogue between the U.S. and Japan to focus on economic competitiveness and recovery.

17. (U) PARTICIPANTS

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